

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 26, 1945, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Draper
 Mr. Evans

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Thurston, Special Assistant to the Chairman
 Mr. Goldenweiser, Director of the Division of Research and Statistics
 Mr. Smead, Director of the Division of Bank Operations
 Mr. Vest, Assistant General Attorney
 Mr. Thomas, Assistant Director of the Division of Research and Statistics
 Mr. Wyatt, General Counsel

There were presented telegrams to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York, Mr. Clouse, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on January 23, and by the Federal Reserve Banks

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of New York, Cleveland, Richmond, Chicago, Minneapolis, and Dallas on January 25, 1945, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Under date of January 19, 1945, each of the members of the Board received a letter from Senator Thomas of Oklahoma in which he referred to an item appearing in the Wall Street Journal of that date to the effect that a bill was being drawn by the Board providing for a reduction in the reserves required to be maintained by the Federal Reserve Banks. The letter requested that in connection with the preparation of the bill the Board give consideration to the provisions of S. 183, which was introduced by Senator Thomas in this session of Congress, to authorize the carrying of obligations of the United States owned by banks, trust companies, savings and loan associations, and insurance companies at their par value.

In accordance with a suggestion that the reply to these letters should be by the Board rather than by the individual members, a tentative draft of reply had been prepared and was read at this meeting. In the discussion which ensued numerous suggestions were made as to the content of the reply, and the question was raised whether a reply should be sent without first taking the matter up with Senator Wagner, Chairman of the Senate Banking and Currency Committee, and the Treasury.

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At the conclusion of the discussion, it was agreed that an interim reply should be sent to Senator Thomas stating that bill S. 183 raised controversial questions which the Board would like to review before expressing its opinion, that it was desirable that the legislation which had been drafted to reduce the reserves required to be maintained by the Federal Reserve Banks and to extend the authority of the Federal Reserve Banks to pledge Government securities as collateral for Federal Reserve notes be introduced and passed promptly, and that in these circumstances the Board and the Treasury would prefer not to combine this legislation with any measure of a controversial nature which might delay the passage of the bill.

In taking this action it was understood that the nature of the reply to the questions raised by bill S. 183 would be studied and that a further reply to Senator Thomas' letters would be prepared without delay for the purpose of sending it as soon as possible after consultation with the Treasury and possibly Senator Wagner.

During the discussion of the above matter Mr. Dreibelbis, General Attorney, joined the meeting.

Mr. Evans referred to the technical referral service developed in 1937 by Mr. B. H. White, Vice President in charge of investments of the Liberty National Bank of Buffalo, Buffalo, New York, and which had been adopted by the Smaller War Plants Corporation as a service to small business in war production and essential civilian production when Mr. White went into the armed service. Mr. Evans stated that the service, which was a means by which technical information of various types could

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be made available to small business, had proved itself to be of real value, that at his request Mr. Sproul, President of the Federal Reserve Bank of New York, had looked into the matter and had submitted an interesting report on it, and that Mr. Hopkins of the Board's research staff had made an investigation of the service as a part of his study in connection with the proposal of the Federal Reserve Bank of Atlanta to make a contribution to the Southern Research Institute. Mr. Evans went on to say that Colonel White had been invited to go to Canada to explain the program to banks there and had invited Mr. Hopkins to accompany him. He also said that he was bringing the matter to the Board's attention at this time for the purpose of recommending that the Board make arrangements to have Mr. Hopkins explain the plan and what had developed in connection with it at the next joint meeting of the Board and the Presidents of the Federal Reserve Banks in Washington.

Mr. Evans' suggestion was approved unanimously.

There was a further discussion of the invitation received from Mr. Villasenor, Director General of the central bank of Mexico, to Mr. Hammond, Assistant Secretary, to go to Mexico City for the purpose of assisting in the preparation of an agenda for a conference of staff representatives of central banks in the Western Hemisphere. Questions were raised as to the necessity or advisability of any one going from the Board to Mexico City at this time to participate in the formulation of the plan proposed by the central bank of Mexico,

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both on account of travel conditions and by reason of the desirability of avoiding any unwarranted impression that the Board was taking an undue part in promoting and arranging the proposed conference.

The Board however was in agreement with the general objective of the program as it had been proposed and with the suggestion that the matter of the Board's participation be left to Mr. Evans to work out.

Mr. Ransom stated that yesterday he called Mr. Ruml, Chairman of the Federal Reserve Bank of New York, on another matter and that during the conversation Mr. Ruml stated that at the meeting of the board of directors of the Bank on that day he expected that a report prepared by Messrs. Williams and Roelse of the Bank's research staff on the Murray full employment bill would be presented, and that he felt that if on matters of this kind he could have the views of the Board before the matter was discussed at a meeting of the board of directors of the Bank it would be possible in many cases to avoid situations in which the directors would take a position contrary to the Board's views. Mr. Ruml asked, Mr. Ransom said, if the Board would be good enough to have the bill analyzed and see if there were any thoughts that it might wish to express for presentation to the directors of the New York Bank. This matter was discussed briefly but no conclusions were reached.

At this point Messrs. Thurston, Goldenweiser, Smead, Dreibelbis, Vest, Thomas, and Wyatt withdrew from the meeting.

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The action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 25, 1945, were approved unanimously.

Memorandum dated January 20, 1945, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Robert Triffin, an economist in that Division, be increased from \$5,600 to \$6,500 per annum, effective at the beginning of the first pay-roll period following approval by the Board.

Approved unanimously, effective February 1, 1945.

Memorandum dated January 22, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the following increases in basic annual salaries of employees in that Division be approved, effective February 1, 1945:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Charles W. Storm	Maintenance Mechanic	\$2,300	\$2,500
E. P. Jordan	Operating Engineer	1,980	2,160
Bruce L. Moffett	Supply Clerk	1,620	1,680
William Gardner	Guard	1,560	1,620
Everett Jones	Laborer	1,320	1,380
Flora J. Griffith	Chief Telephone Operator	1,920	1,980

Approved unanimously.

Memorandum dated January 24, 1945, from Mr. Bethea, Director

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of the Division of Administrative Services, recommending that Mrs. Beatrice Bronson be appointed as an elevator operator in that Division on a temporary basis for a period of not to exceed six months, with basic salary at the rate of \$1,200 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory develops in the investigation of her references her services may be terminated immediately. The memorandum stated that Mrs. Bronson would not become a member of the Board's retirement system.

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of January 22, 1945, the Board approves the designation of Stuart H. Magee, J. O. Hooper, and Marvin Miller as special assistant examiners for the Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of January 22, 1945, the Board approves the designation of M. E. Ratkie as a special assistant examiner for the Federal Reserve Bank of Kansas City.

"The name of Fred R. Fritz has been removed from the list of special assistant examiners in our records."

Approved unanimously.

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Letter to the Presidents of all of the Federal Reserve Banks, prepared in accordance with the action taken by the Board on January 19, 1945, and reading as follows:

"At the joint meeting of the Presidents and the Board of Governors on December 11, 1944, there was a discussion of the conclusion reached by the Presidents in their separate conference session that under existing conditions the present limitation in the Federal Reserve Act on the amount that may be expended for branch buildings is unreasonable and that an appropriate modification of the law might be considered as a relief to the Federal Reserve Banks concerned and as a part, even though a small one, of the preparation for high levels of employment and business activity after the war. During the meeting the suggestion was made by the Presidents that the manner in which this problem should be approached legislatively should be left to the Board of Governors.

"The Board has given further consideration to this matter and has concluded that any request for legislation should be withheld until after other legislation of interest to the Federal Reserve System is disposed of. It is the thought of the Board that the needs of the branches can be met during the war period by temporary measures and that the space problem confronted by the Federal Reserve Banks can be presented more effectively to Congress when the labor and materials situation is such as to warrant resumption of building operations.

"It will be recalled that at the joint meeting Mr. Sproul stated that as between individual authorizations for individual branches and an amendment which would eliminate the present restriction on branch buildings the general preference of the Presidents would be for the latter. Chairman Eccles said that that was also the preference of the Board. It is not possible to determine finally at this time what form the legislation should take, but it is possible that it might be an amendment to raise the present limitation on the amount that may be expended for the cost of the 'building proper.' If it should take this form it would be helpful to the Board if it had information as to how high the limitation should be to take care of the needs of the various branches. Therefore, the Board will

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"appreciate receiving from the Federal Reserve Banks which have branches their views with respect to this matter."

Approved unanimously.

Letter to the Chairmen and Presidents of all of the Federal Reserve Banks reading as follows:

"Chairman Eccles has asked me to send to you a copy of a letter dated January 20 received from J. M. Johnson, Director, Office of Defense Transportation and Chairman, War Committee on Conventions, in regard to the procedure to be followed in connection with the holding of group meetings to be attended by more than 50 persons. I am also sending copies of the enclosures referred to in Mr. Johnson's letter. I have been asked to call your attention particularly to the statement in Mr. Johnson's letter that 'Although only meetings with more than 50 in attendance require a special permit the critical transportation and hotel situation suggests that all Government meetings be held to an absolute minimum' and that 'the presence of Government personnel at non-government meetings frequently serves as an excuse for the meeting to be considered as in the war interest'.

The Board believes that you will agree that it is very important that the Federal Reserve Banks establish an example of cooperation with the Government in meeting the problem presented by the present critical transportation and hotel situations."

Approved unanimously.

Letters to the Secretary of State and Secretary of the Treasury prepared for the signature of Chairman Eccles in accordance with the action taken at the meeting of the Board on January 19, 1945, and reading as follows:

"Enclosed is a memorandum, in which I feel you will be very much interested, in regard to the ban on gold shipments to Argentina. The memorandum was prepared for me by

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"a member of our staff upon his recent return from a technical mission to several of the Latin American central banks.

"While the members of the Board are not in a position to evaluate points raised in the memorandum, they felt, as I did, that it should be passed along to you for your information, the subject being one in which the Board and the Federal Reserve System have a direct interest because it relates to shipments from the stock of gold held under earmark at the Federal Reserve Bank of New York for the account of the Banco Central de la Republica Argentina."

Approved unanimously.

Letter to Mr. L. C. Bertram, Assistant General Counsel, The American Bankers Association, New York, New York, reading as follows:

"Receipt is acknowledged of your letter of January 19 addressed to Chairman Eccles enclosing a draft of proposed agreement to be used by banks in forming credit groups and asking whether, in the opinion of the Board, it complies with all applicable laws and regulations.

"In the opinion of the Board the proposed agreement would not violate any provision of the Federal Reserve Act or of section 8 of the Clayton Act or of any regulation of the Board of Governors.

"The draftors of the agreement have undoubtedly considered the possible application of the Federal antitrust laws. The proposed agreement bears some similarity to a draft of agreement which was shown to us and which was later adopted by a group of banks in New York City. We have been told that that agreement was thought to be not in violation of those laws because the credit committee did not fix the rate of interest and because the terms of the agreement were such that it was impossible to 'freeze out' any prospective member who logically should be allowed to participate. However, you will, of course, understand that the Board is not in a position to express an opinion on these questions."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

W. S. ...
Chairman.